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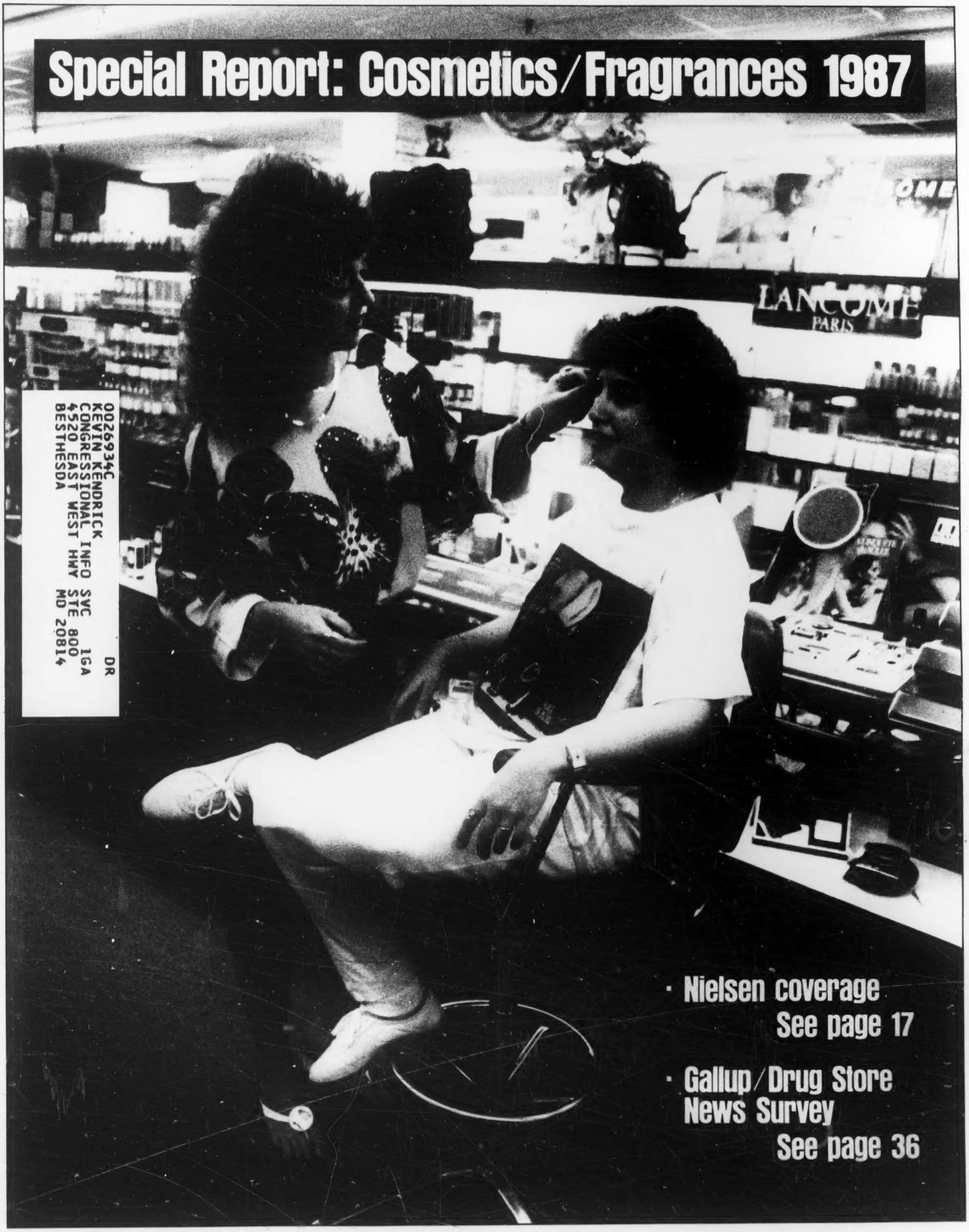
DRUG STORE NEWS

Vol. 9/No. 13 **Serving chains, wholesalers and high-volume independents for 58 years.** Published by Lebhar-Friedman Inc. June 22, 1987

Special Report: Cosmetics/Fragrances 1987



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Marketing drives Genovese home health push

MELVILLE, N.Y. — Genovese is adopting a newly aggressive marketing posture for its 3-year-old home health care effort.

The 85-store regional based here has begun, during the past two months, to commit regular chainwide flier and biweekly newspaper ad space to its Gen-Care Health Network. That effort combines with informational brochures and reference product catalogs at each prescription counter to drive pharmacist recommendations.

An 800 telephone number, to be added soon, will enable customers to direct order.

Ad generated results

The expanded effort is too new to indicate long-term performance. But Raymond J. Rescildo, vp and director of professional relations, said one recent ad generated 35 recommendations for home health care products.

Each store devotes 24 to 36 running feet to such items as walkers and incontinent supplies. Pharmacists are also trained to instruct how to use most diabetic supplies, including glucometers, which each store also carries. But durable medical equipment, clinical products and ostomy supplies are housed in a single hub location in Astoria, Queens, N.Y. That is a 1,000-square-foot sectioned area within a 12,000-square-foot Genovese store, plus about 5,000 square feet of basement space used as a product storage, shipping and transfer point.

MARKETING MOVES

Ray Rescildo

From this site, two company-owned trucks deliver home health care products to the stores most convenient for customers or to their homes. A third truck will be added soon. Small packages are often shipped through United Parcel Service daily. A second hub may be developed as the business grows, Rescildo said.

Meantime, the Astoria site has sold "quite a bit of exercise bikes, treadmills and other sporting goods," said Rescildo. "Young people come in for their parents, then remember what they've seen."

'A natural area'

But that's gravy. To Rescildo, "People have to talk to a health care professional when they need home health care products. It's a natural area for a pharmacist to be in. A pharmacist is the only health care professional customers can go to anytime without an appointment."

He said Genovese is committed to the effort. Periodic pharmacist training comes from several sources: vendors, continuing education lessons, twice-annual two-day-long mass pharmacist meetings, and constant rounds made by three pharmacy supervisors and a computer systems manager.

Slow-paying business

With its buildup of home health care, Genovese joins the relatively small but growing ranks of drug chains courting this notoriously slow-paying business. On top of that, said Rescildo, cost containment efforts by government and insurance carriers are drying up the more lucrative rental business.

"We'd been running 35%-40% rental, but the trend is toward purchases after a maximum two months rental," Rescildo said.

Still, he added, "We're a health care provider. We just need the initial cash flow to get the business going. Then we can live with the payment schedules we know to be part of the business."

In one cost-cutting move, Genovese eliminated product catalogs it used to distribute to potential customers in favor of single reference copies.

NEWS IN BRIEF

Imasco projects Peoples will be in black

MONTREAL — Imasco Limited's management is telling shareholders in the company's just issued 1987 annual report that Peoples Drug is expected to contribute to Imasco's earnings during the 1988 fiscal year.

Paul Pare, chairman of Imasco, and Purdy Crawford, president, said they are "confident of the value of Peoples' assets and are committed to returning the company to profitability."

Peoples had an operating loss in fiscal 1987 of $32 million (Canadian dollars) compared to a profit of $46 million in fiscal 1986.

Imasco's other drug store chain, Shoppers Drug Mart of Canada, generated $46.9 million operating earnings (Canadian dollars) in fiscal 1987, up about 1% over fiscal 1986.

Jeff Fantle resigns from Peoples

ALEXANDRIA, Va. — Jeff Fantle, executive vp of store operations for Peoples Drug Stores, has resigned "to pursue other opportunities." Fantle, who had been with Peoples for approximately 16 years, has been in his current position the past year. Prior to that, he had been president of the Lane division in Cleveland for four years.

Dave Eisenberg, senior executive vp and coo of Peoples Drug, said Fantle "would be missed." Eisenberg also said Peoples is currently looking to see if they can fill Fantle's position "internally."

There was an unconfirmed report that Jeff Fantle may go into partnership with his father, Sheldon "Bud" Fantle. Bud Fantle had been been chairman of Peoples Drug until his resignation six months ago.

Barry Krelitz receives pharmacy award

MINNEAPOLIS — Barry M. Krelitz, president and ceo of Krelitz Industries, the upper Midwest wholesaler of drugs and medical, surgical and laboratory supplies, has received the 1987 Distinguished Pharmacist Award from the College of Pharmacy Alumni Association of the University of Minnesota.

One of 14 who have received the award since its inception, Krelitz urged a full commitment to "maximizing the professional and personal opportunities that are presented to each of us."

Ike's slated to get pharmacies

MEMPHIS — Malone and Hyde Inc., owner of the Super D drug chain, said it will install pharmacies in its Ike's deep discount stores. With a full line of brand name and generic drugs at deep discount prices, the pharmacies are scheduled to open in September.

Ike's has two units in this city and a third under construction and recently penetrated Nashville with a store that houses the first Ike's pharmacy.

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Vol. 9, No. 13 June 22, 1987

Revco revamps management

TWINSBURG, Ohio — Continuing an ongoing realignment in top- and middle-level management, Revco D.S. has added several new faces in merchandising, finance, management information services and purchasing, while shifting the roles of other decision makers.

The shakeup is part of a larger effort by Revco's new nine-member Board of Directors to build a new, streamlined management team under chief executive Bill Edwards, who assumed control of Revco when board chairman Sid Dworkin relinquished his day-to-day management duties in early April.

When fully in place, the revamped Edwards management team will mark a major change in Revco's corporate makeup, reflecting the growing influence of both Edwards and outside Revco board members who were influential in the company's leveraged buyout late last year. Many of the executives who played a key role under Dworkin have now departed, including Carroll Hudson, former executive vp and chief financial officer; former vp-marketing Neil Roth; and former head of systems H. Scott Leeseberg. Others have been reassigned.

Broadening management perspective

The management shifts also represent a significant broadening of Revco's management perspective. Several executives who have come on board at Revco in the past several months hail from broad-ranging backgrounds in retailing, banking and other areas, and their expertise may lead to some new directions for the nation's largest drug chain.

Revco president Bill Edwards called the headquarters' changes "ongoing," and said: "We're taking the quality of our current management team and improving on it."

"We are strengthening our organization, with a shift of responsibilities," noted Dick McClain, senior vp-corporate services and personnel.

Chief among the newest appointments is the induction of discount store veteran Marcus Tully as vp-sales promotion, a new position aimed at boosting Revco's market position. He will oversee and coordinate all advertising, in-store promotional activities and merchandising layouts for Revco, spearheading a more comprehensive marketing effort by the chain. He will report to senior vp-marketing John Crowley, who will concentrate more heavily on purchasing, according to a spokesman.

Tully, 62, last worked as senior vp-marketing for Famous-Barr, a division of May Department Stores, before taking early retirement. Prior to that, he served as senior vp-marketing for D.L. Hudson, a Detroit-based retailer.

Richard Hann, meanwhile, has been brought in as vp-information systems, replacing Scott Leeseberg, who has left the company. Hann, 46, has 25 years of systems management experience, most recently as director of business systems development for Firestone Tire & Rubber.

Other changes in Revco's management team may be forthcoming as its Board of Directors seek to minimize costs and boost profitability quickly in order to retire the $1.45 billion in debt Revco assumed to take itself private. Said one local chain-drug competitor in the Cleveland area: "Revco seems to have been preoccupied with internal changes and problems for the last two years, and they're still going through a big transition."

Bolstering financial team

In another move, two veterans of Great Atlantic & Pacific Tea Co. have strengthened Revco's financial team. Gregory Raven, 37, has been named vp and treasurer, reporting to cfo Vito Cardace. Twenty-eight-year-old James Hagan is new assistant treasurer.

Wilbur Smith, former Revco vp-financial planning and treasurer, will remain as vp-financial planning and assistant to Cardace.

In a shift of duties, Ellis Jones, former divisional merchandise manager, has been named director of purchase order systems and will serve as "the primary interface between systems and purchasing," according to McClain. Replacing him as head of buying for OTC, H&BA, cosmetics, stationery, household chemicals and other general merchandise is Bob Springer, 47, a veteran of F&M Distributors and W.T. Grant. Springer will continue to share merchandising duties with divisional merchandise manager Phil Carfagno.

In another internal shift, Howard Silver, 41, former director of internal audit, has been promoted to vp-inventory management.

TRENDS

Nielsen tracks retail growth in cosmetics

Food and mass merchandise stores are continuing to outstrip drug stores in generating growth in color cosmetic dollars.

According to A.C. Nielsen's Marketing Research division, food stores increased their cosmetic dollar sales by 15% in 1986, while mass merchandise stores such as K mart and Wal-Mart generated a 10% increase in color cosmetic dollars.

Drug stores, on the other hand, only managed a 7% increase in all color cosmetic dollars.

As a result, the drug store share of total mass cosmetics dollar sales shrank again in 1986. The drug store segment of mass color cosmetics sales slipped 1.1 percentage points to just 58% in 1986. At the same time, the share for food stores grew by 0.9 percentage points to 17.4%, while the mass merchandise share grew by 0.2 percentage points to 24.6%.

Face makeup growth strong

All three retail segments generated their strongest growth in the facial makeup segment of color cosmetics.

- Face makeup sales increased 20% in food stores in 1986. They were up 12% in mass merchandise stores, and they grew by 9% in drug stores.
- Nail color was the second fastest-growing segment in food stores in 1986. However, nail color sales in drug stores were up only 6% in 1986, according to Nielsen, and the segment only grew by 8% in mass merchandise stores in 1986.
- Mass merchandise stores generated their second strongest growth surge in the eye color category. However, eye color was the softest growth segment for drug and food stores, up in dollar sales just 4% and 10%, respectively, in 1986.
- Lip color was the second strongest growth segment for drug and food stores in 1986. Food stores had a 14% increase in lip color sales in 1986, while drug stores had an 8% increase.

Launches spurred sales

According to buyers, the surge in facial makeup sales was driven by the launch of several new lines in this segment in 1986, supported by surges in manufacturer consumer advertising and promotions.

Maybelline and Cover Girl, buyers say, did particularly well with their new loose powders, and Cover Girl, Coty, Revlon and Almay did well with their cream and liquid makeups.

Many buyers also said that L'Oreal's 2-year-old line of Visuelle liquid makeups continue to do well in their stores.

Natural Wonder dropoff

Some buyers say that the newly repackaged Factor line is also doing well, but several buyers report sales have started to fall off on Revlon's Natural Wonder line.

Several buyers blamed the dropoff on Revlon's failure to supplement its national print campaign for Natural Wonder with strong spot TV and radio coverage for the brand.

In fragrances, buyers re-

Continued on page 19

Growth of color cosmetic sales in retail drug stores
(1986 vs. 1985)

Segment	1986 $ sales (millions)	% Change
Face makeup	$282.3	9%
Eye color	$297.5	4
Lip color	$213.4	8
Nail color	$162.0	6
All color cosmetics +	$895.2	7

+Sales of shaded or color cosmetics in drug stores only.

Source: Nielsen Marketing Research

Gallup/Drug Store News consumer survey highlights

(See coverage starting on p.36.)

- **Forty-two percent of cosmetics users say they "most often" buy their cosmetics in drug stores.**
- **Forty-three percent of all fragrance users buy their fragrances "most often" in department stores; 23% of all users buy most often in drug stores.**
- **Lipsticks are the most commonly used color cosmetic; eye liners are the least commonly used.**
- **Nearly 90% of American women use fragrances, but only 25% of users are wearing fragrances more often today than two or three years ago.**
- **Nearly 12% of all cosmetics users think drug stores would be an even better place to buy cosmetics if their pricing were "more competitive and their selection more varied."**
- **Nearly 18% of all fragrance users think drug stores would be better places to shop for fragrances if they carried a more varied selection; 13% think drug stores should be more competitive on price.**

TRENDS

Chain drug retailers reveal cosmetic sale sizzlers

Chain drug retailers are reporting strong gains in cosmetics sales for the past year.

In a surprising twist, some buyers also report that fragrance sales are trending up as well, fueled by the launch of what seems to be at least two new successful brands, Cosmair's Glorious and Revlon's Intimate, as well as by continued strength in the sales of such popular mass market fragrances as Vanderbilt, Lady Stetson and Primo, the Giorgio alternative from Parfums de Coeur.

However, the positive trend in fragrance sales is not being reported by all chains or in all sections of the country. The majority of buyers are still calling the category "relatively flat." The improvements seem to be strongest in such chains as SupeRx and Eckerd, which have been concentrating recently on streamlining their inventory and improving sell-throughs.

Drug Emporium uses cosmetic manufacturers' prepacks and spinner racks to create excitement in their cosmetic aisles. Consumers react by often buying impulsively.

Eye, lip, nail selling well

In cosmetics, most retailers report that eye, lip and nail color cosmetics are selling well. Especially hot are the color swirl pencils that L'Oreal and Aziza have on the market, the eye color shadow wands from Maybelline, the newly repackaged and relaunched nail enamels from Revlon and Max Factor, and the colored mascaras that Almay, Maybelline and Flame Glow from Del Labs have out.

Stephanie Hayter, cosmetic buyer for Genovese Drug Stores in New York, said the color mascara in her prepacks have "literally flown out of the stores" in the past few months.

Jeanne Ponke, cosmetics buyer for Perry Drug, reports the same trend.

Ponke said that all the Maybelline promotions, in fact, have been strong. "They seem to have the better colors," she said, "the really strange colors that the younger consumers seem to like."

Merchandising for impulse

Buyers also say, however, that the best way to merchandise the swirls, the colored mascaras and the multi-colored pencils are from prepacks and other types of displays. The feeling is that if such products went in-line, they would lose their impulse appeal and tend not to turn as well.

Also doing well in color are the many new trial sizes on the market. Buyers say that prepacks of trial-size enamels or trial-size mascaras really zip through the stores.

Almost a year after L'Oreal introduced Zazu, the first hair color cosmetic, buyers are still uncertain about the line's success. Most buyers say they now have Zazu in their regular L'Oreal planograms. But reports are that sales of Zazu range from "all right" on select sku's to "poor" overall.

There is still hope that L'Oreal will do more to support Zazu through stronger consumer advertising, but the consensus is that "the jury's still out on Zazu."

Slight peaking in nails

In the nail care category, buyers say sales are still strong, but there seems to be a slight peaking from a rate of growth that in the past two years has been "phenomenal."

Nail extenders or press-ons are still selling well, but many buyers are now reporting that sales are trending toward the lower price points in this category. A few buyers are saying that sales are slowing considerably and that the boom in press-on sales "may be over by the end of this year."

Most buyers say the Lee press-ons, which launched the category's growth surge nearly three years ago, are still thriving, as are the lines from Jonee on the West Coast and Jonel in the Midwest.

Budget lines from companies such as Kristy Wells, Wet 'n Wild and Artmatic are growing in strength.

Nail treatment is continuing to show strong growth trends, and some buyers say their sales of treatment products are stronger today than their sales of colors and pressons.

Perry Drug, in fact, is almost doubling the average amount of space it gives this segment. Most stores will soon have about 6-7 feet for treatment products, Ponke said, rather than the approximate 4 feet in the past.

"Signing this segment is also just down the road for

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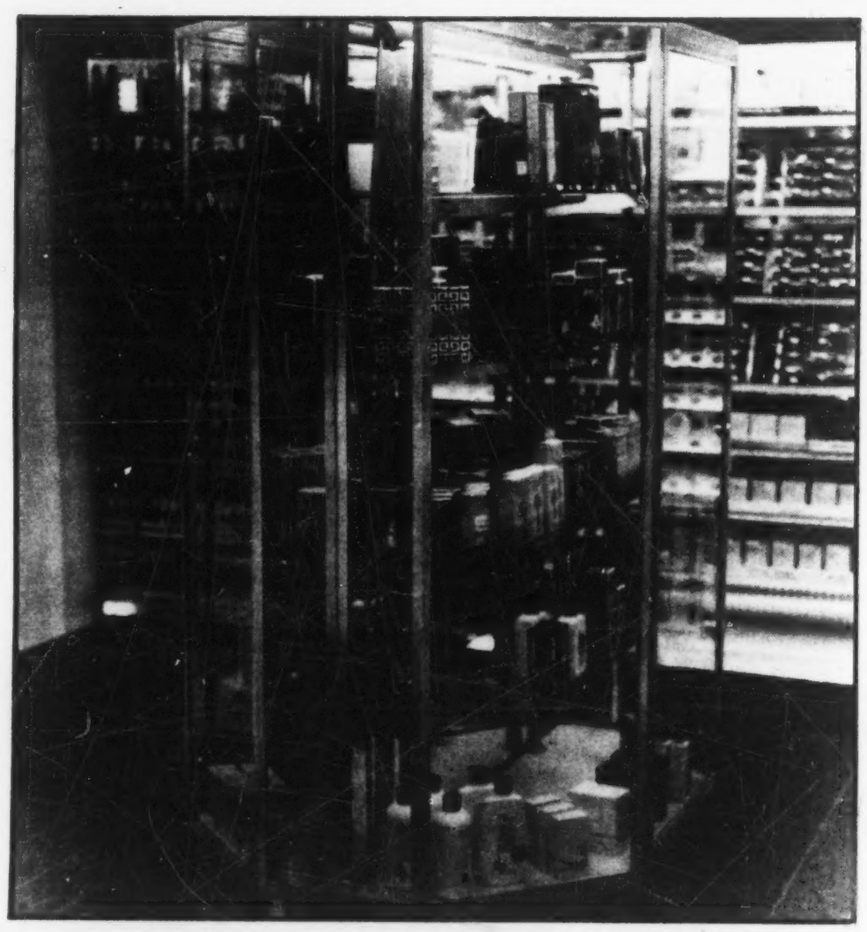

Fragrance sales have been flat for several years, but now some buyers report new products are driving up sales.

Growth in color cosmetic sales by category segment
(1986 vs. 1985)

Segment	1986 Sales (millions)	% Change over 1985
Face makeup	$ 497.5	12
Eye color	441.5	7
Lip color	337.9	9
Nail color	267.4	8
All color cosmetic sales	$1.544.4	9

Source: Nielsen Marketing Research

Nielsen reports on cosmetics growth

Continued from page 17

port the category is still flat, and Nielsen numbers support that view.

According to Nielsen's Marketing Research division, sales of women's mass fragrances in drug stores increased by only 1% in 1986, while they declined by 3% in mass merchandise stores. Nielsen does not track the sale of women's mass fragrances through food stores.

In terms of market share for mass women's fragrances, drug stores picked up 0.9 percentage points in 1986 for a 74.3% share.

Men's fragrances up

The men's mass fragrance segment did a bit better in drug stores in 1986, however. Nielsen says sales of men's mass fragrances through drug stores were up 11% in 1986 but were down 6% in mass merchandise stores.

Sales of men's fragrances in food stores, Nielsen says, were up 8% last year.

In men's mass fragrances, drug stores picked up 2.7 percentage points, for a year-end total dollar share of 60.4%.

Buyers say the best sellers in men's fragrances were still the mass prestige brands, particularly Stetson and Chaps. In women's, the best sellers continued to be Lady Stetson and Vanderbilt, with Revlon's new Intimate showing "promise."

Growth in mass market fragrance sales

Segment	1986 $ sales (millions)	% Change 1986 vs. 1985
Women's fragrances*	$767.70	0.0%
Men's fragrances	500.50	6.0%
All mass fragrances	1.268.20	2.2%

*Sales in drug and mass merchandise stores only
Source: Nielsen Marketing Research

Mass women's fragrances sales by retail segment

Retail segment	1986 $ sales (millions)	% Change	Share of sales
Drug stores	$570.4	1%	74.3%
Mass merchandisers	$197.3	(–3%)	25.7%

Note: Food store sales are too negligible to track
Source: Nielsen Marketing Research

Mass men's fragrance sales by retail segment

Retail segment	1986 $ sales (millions)	% Change	Share of sales
Drug stores	$302.5	11%	60.4%
Mass merchandisers	$110.0	–6%	22.0%
Food stores	$ 87.9	8%	17.6%

Source: Nielsen Marketing Research

Drug chain execs are putting a much stronger emphasis on fixturing. Manufacturers are being asked to develop attractive dislays that maximize space for the best-selling lines.

Buyers pick hot cosmetic sellers

Continued from page 19

us," she said.

The Salle and Sally Hansen lines are both mentioned as popular sellers. So are certain individual treatment items from Revlon and Almay.

Nail treatment 'families'

Most buyers are continuing to merchandise nail treatments as part of a "family" of nail care items—all Revlon color and treatment items together, all Almay together and so on—but a few chains are starting to follow Perry's example; others, such as SupeRx, are thinking of adopting such an approach soon.

In addition to nail, face makeups are also becoming a hot segment, especially the new, lighter and silkier foundations that promise women a more natural look and a smoother coverage.

In Kentucky, Billie Carpenter, the cosmetics buyer for Begley Drug, reports excellent sell-throughs on the new, light "mousse makeups" from Factor and Maybelline.

Stephanie Hayter at Genovese also reported her face makeup sales have been strong. "Factor, Maybelline, Cover Girl and Clarion have all been doing well," she said.

Clarion cited

Most buyers continue to rate the new Clarion makeup line as doing well in their stores. Reports on Clarion range from "fabulous" from Genovese and Begley to "healthy, but not yet to the plateau we expected" from SupeRx and Perry Drug.

Most buyers also report that the presence of the Clarion line in their stores doesn't seem to have negatively affected the sales of their other makeup brands.

Buyers say Cover Girl and Almay are showing sales increases, as are Factor, Revlon and L'Oreal's Visuelle.

"I think Clarion is expanding the category's sales for us," said Perry's Ponke. "We seem to be getting more consumers in our stores buying makeup."

Revlon's relaunch of Natural Wonder, which started off with a bang last year, is still getting good reviews overall, but several buyers report that sales slowed down in the line as Revlon reduced their TV and radio advertising, and a handful of buyers said their recent sales of Natural Wonder have been "way down."

Revlon, however, has been working on what buyers say will be a "new program" for Natural Wonder, and the consensus is that if Revlon does resume its strong consumer advertising, the line will do well.

Pleased with the sales of Cover Girl, Almay and L'Oreal's Visuelle, most buyers report expanding space for the lines, especially for Almay and Cover Girl.

Factor feedback upbeat

Current feedback on the Max Factor makeups is encouraging. Buyers say the Factor makeup lines are selling better than they have in a long time, but Factor's secondary brand, Maxi, is still not considered a success by most buyers, and many chains are no longer carrying the line everyday.

Buyers also say they like the positioning and the packaging on the new Revlon line of New Complexion makeup. The consensus is that the line, which has an average suggested retail price of about $7, will do well in the drug store marketplace this year.

At SupeRx, cosmetic buyer Mike Russell said that new products such as the Maybelline and Max Factor mousse makeups, the Clarion line and now the New Complexion line from Revlon, which is currently shipping, have been driving the growth in cosmetic

Continued on page 31

The on-the-go beauty organizers

Just like actresses and models use

Finally, there's a bright new way to organize the $17 billion worth of cosmetics sold each year. Now the whole kit 'n caboodle goes into Caboodles! Caboodles is a whole collection of kits—with handles on top and latchable lids. There are 7 go-anywhere Caboodles, from a big two-drawer model to a clever little box perfect for nail paraphernalia. They're in colors to go with today's clothes and accessories. In color-drenched packaging that leaps off the shelf. Your customers will love Caboodles— everybody needs at least one!

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